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directors shall represent the second subset, and nine directors shall represent the third subset.

- (d) Each subset shall select the directors who will represent it through an annual election in which each member of the subset shall be entitled to vote for the number of directors that will represent such members subset.
- (e) For each access rate element or group of access rate elements for which voluntary pooling is permitted, there shall be a committee composed only of directors from companies participating in the pooling for that rate element or group of access rate elements. Each such committee shall be responsible for the preparation of charges for the associated access rate elements that comply with all applicable sections in this Part.
- (f) Directors shall serve for a term of one year commencing January 1 and concluding on December 31 of each year.

**§ Z.403 Association functions.<sup>22</sup>**

- (a) The association shall not engage in any activity that is not related to the preparation of access charge tariffs or the collection and distribution of access charge revenues or the operation of a billing and collection pool on an untariffed basis unless such activity is expressly authorized by order of the Commission.
- (b) Participation in Commission or court proceedings relating to access charge tariffs, the billing and collection of access charges, the distribution of access charge revenues, or the operation of a billing and collection pool on an untariffed basis shall be deemed to be authorized association activities.
- (c) The association shall administer the Universal Service charge, including the direct billing to and collection of associated revenues on a monthly basis from interexchange carriers pursuant to §§ 36.446 Z.102 and the distribution of these revenues to qualified telephone companies local exchange carriers based on their share of expenses assigned to the Universal Service Factor portion of the interstate allocation pursuant to § 36.631.
- (d) The association shall administer the Lifeline Assistance charge, including the direct billing to and collection of associated revenues on a monthly basis from interexchange carriers pursuant to §§ 36.447 Z.103, and the distribution of these revenues to qualified telephone companies local exchange carriers based on their share of expenses assigned to the Lifeline Assistance Fund pursuant to

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**§ 36.741 and of End User Common Line charges associated with the operation of § 60.104 Z.105(j)-(l).**

- (e) The association shall annually compute, in accordance with §§ 60.105 Z.106 and 60.642 Z.109, the mandatory Long Term Support payment of telephone companies local exchange carriers that are not association Common Line tariff participants, bill and collect the appropriate amounts on a monthly basis from such telephone companies local exchange carriers and distribute Long Term Support revenue among association Carrier Common Line tariff participants.**
- ~~(f) The association shall annually compute, in accordance with § 60.612, the Transitional Support requirement for Level I and Level II Company Receivers, bill and collect the appropriate amounts on a monthly basis from Level I and Level II Contributors, and distribute the Transitional Support requirement among Level I and Level II Receivers.~~**
- (gf) The association shall also prepare and file an access charge tariff containing terms and conditions for access service and a form for the filing of rate schedules by telephone companies local exchange carriers that choose to reference these terms and conditions while filing their own access rates.**
- (hg) The association shall divide the expenses of its operations into two categories. The first category ("Category I Expenses") shall consist of those expenses that are associated with the preparation, defense, and modification of association tariffs, those expenses that are associated with the administration of pooled receipts and distributions of exchange carrier revenues resulting from association tariffs, those expenses that are associated with association functions pursuant to §§ 60.603 (c) - (gf), and those expenses that pertain to Commission proceedings involving Subpart G E of Part 60 Z of the Commission's rules. The second category ("Category II Expenses") shall consist of all other association expenses. Category I Expenses shall be sub-divided into three components in proportion to the revenues associated with each component. The first component ("Category I.A Expenses") shall be in proportion to the Universal Service Fund and Lifeline Assistance revenues. The second component ("Category I.B Expenses") shall be in proportion to the sum of the association End User Common Line revenues, the association Carrier Common Line revenues, the association Special Access Surcharge revenues, the Long Term Support payments and the Transitional Support payments. The third component ("Category I.C Expenses") shall be in proportion to the revenues from all other association interstate access charges.**
- (1) The revenue requirement for association tariffs filed pursuant to § 60.4(c) Z.102 and § Z.103 shall not include any association expenses other than Category I.A Expenses.**

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- (2) The revenue requirement for association tariffs filed pursuant to ~~§ 69.4(a) Z.105 and (b)(2) § Z.106~~ shall not include any Association expenses other than Category I.B Expenses.
- (3) The revenue requirement for association tariffs filed pursuant to ~~§ 69.4(b)(1) and (3)-(7)~~ for elements other than Public Policy elements, shall not include any association expenses other than Category I.C Expenses.
- (4) No distribution to an local exchange carrier of Universal Service Fund and Lifeline Assistance revenues shall include adjustments for association expenses other than Category I.A Expenses.
- (5) No distribution to an local exchange carrier of revenues from association End User Common Lines Or Carrier Common Line charges, Special Access Surcharges, or Long Term Support or Transitional Support payments shall include adjustments for association expenses other than Category I.B Expenses.
- (6) No distribution to an local exchange carrier of revenues from association interstate access charges other than End User Common Line and Carrier Common Line charges and Special Access Surcharges shall include adjustments for association expenses other than Category I.C Expenses.
- (7) The association shall separately identify all Category I.A, I.B and I.C Expenses in cost support materials filed with each annual association access tariff filing.

**§ Z.404 Billing and collection of access [Association] charges<sup>23</sup>**

- ~~(a) Telephone companies shall bill and collect all access charges except those charges specified in §§ 69.116 and 69.117.~~
- (b) All access Association charges shall be billed monthly.

**§ Z.405 Reporting and distribution of pool access revenues.<sup>24</sup>**

- (a) Access revenues and cost data shall be reported by participants in association tariffs to the association for computation of monthly pool revenues distributions in accordance with this Subpart.

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<sup>23</sup> Moved from 69.604

<sup>24</sup> Moved from 69.605

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- (b) Association expenses incurred during the month that are allowable access charge expenses shall be reimbursed before any other funds are disbursed.
- (c) Except as provided in paragraph (b) of this Section, payments to average schedule companies that are computed in accordance with ~~§ 69.606~~ **Z.406** shall be disbursed before any other funds are disbursed. For purposes of this Part, a ~~telephone-company local exchange carrier~~ that was participating in average schedule settlements on December 1, 1982, shall be deemed to be an average schedule company except that any company that does not join in association tariffs for all access elements shall not be deemed to be an average schedule company.
- (d) The residue shall be disbursed to ~~telephone-companies local exchange carriers~~ that are not average schedule companies in accordance with ~~§§ 69.607~~ **Z.407** through ~~69.610~~ **Z.410**.

**§ Z.406 Computation of average schedule company payments.<sup>25</sup>**

- (a) Payments shall be made in accordance with a formula approved or modified by the Commission. Such formula ~~shall be designed to produce disbursements to an average schedule company that simulate the disbursements that would be received pursuant to § 69.607~~ **Z.407** by a company that is representative of average schedule companies.
- (b) The association shall submit a proposed revision of the formula for each annual period subsequent to December 31, 1986, or certify that a majority of the directors of the association believe that no revisions are warranted for such period on or before December 31 of the preceding year.

**§ Z.407 Disbursement of carrier common line residue.<sup>26</sup>**

- (a) The association shall compute a monthly net balance for each member ~~telephone-company local exchange carrier~~ that is not an average schedule company. If such a company has a negative net balance, the association shall bill that amount to such company. If such a company has a positive net balance, the association shall disburse that amount to such company.
- (b) The net balance for such a company shall be computed by multiplying a hypothetical net balance for such a company by a factor that is computed by dividing the Carrier Common Line residue by the sum of the hypothetical net

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<sup>25</sup> Moved from 69.606

<sup>26</sup> Moved from 69.607

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balances for such companies.

- (c) The hypothetical net balance for each company shall be the sum of the hypothetical net balances for each access element. Such hypothetical net balances shall be computed in accordance with § 69.608 Z.408 - § 69.610 Z.410.

**§ Z.408 Carrier common line hypothetical net balance.<sup>27</sup>**

The hypothetical net balance shall be equal to a Carrier Common Line revenue requirement for each such company that is computed in accordance with Subpart F D of this Part.

**§ Z.409 End user common line hypothetical net balances.<sup>28</sup>**

- (a) If the company does not participate in the association tariff for such element, the hypothetical net balance shall be zero.
- (b) If the company does participate in the association tariff for such element, the hypothetical net balance shall be computed by multiplying an amount that is computed by deducting access revenues collected by such company for such element from an End User Common Line revenue requirement for such company that is computed in accordance with Subpart F D of this Part by a factor that is computed by dividing access revenues collected by all such companies for such element by an End User Common Line revenue requirement for all such companies that is computed in accordance with Subpart F D of this Part.

**§ Z.410 Other hypothetical net balances.<sup>29</sup>**

- (a) The hypothetical net balance for an access rate element other than a Common Line element Carrier Common Line and End User Common line elements shall be computed as provided in this Section.
- (b) If the company does not participate in the association tariff for such element, the hypothetical net balance shall be zero.

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<sup>27</sup> Moved from 69.608

<sup>28</sup> Moved from 69.609

<sup>29</sup> Moved from 69.610

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- (c) If the company does participate in the association tariff for such element, the hypothetical net balance shall be computed by deducting access revenues collected for such element from the sum of expense attributable to such element and the element residue apportioned to such company. The element residue shall be apportioned among such companies in the same proportions as the net investment attributable to such element.
- (d) The element residue shall be computed by deducting expenses of all participating companies attributable to such element from revenues collected by all participating companies for such element.

**§ Z.411 Effect of optional alternative carrier common line tariff provisions and end user common line surcharges.<sup>30</sup>**

- (a) The existence or potential existence of Optional Alternative tariff provisions filed pursuant to § 69.204 Z.201 shall not affect the computation of association charges for any access rate element.
- (b) End User Common Line surcharge revenues shall not be included in End User Common Line revenues for purposes of computing pool distributions.
- (c) The Carrier Common Line residue that is computed pursuant to § 69.606 Z.406 shall be increased by adding an amount that is computed by subtracting the Carrier Common Line revenues attributable to study areas with Alternative Carrier Common Line tariff provisions from the projected Carrier Common Line revenues for such study areas that would have been received at the association Carrier Common Line rate.
- (d) The Carrier Common Line residue distribution that is computed pursuant to § 69.607 Z.407 shall be reduced for a company that has effective Alternative Carrier Common Line tariff provisions by subtracting an amount that is computed by subtracting the Carrier Common Line revenues attributable to such company's study area or areas with Alternative Carrier Common Line tariff provisions from the projected Carrier Common Line revenues for such study area or areas that would have been received at the association Carrier Common Line rate.